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Australia

Sugar

Semi-Annual

2002

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Report Highlights:
Australia's 2002/03 sugar production is projected at 5027 TMT, nine percent higher than last year but below the record 5600 TMT produced in 1997/98. The GOA has offered a sugar industry assistance package totaling A$150 million over the medium term, with around A$100 million to be raised by a levy on domestic sugar sales. Final details on how the levy will be structured are currently being finalized.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Canberra [AS1], AS

Production

PSD Table						
Country	Australia					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Beginning Stocks	518	518	634	634	622	782
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	4162	4162	4610	4610	5301	5027
TOTAL Sugar Production	4162	4162	4610	4610	5301	5027
Raw Imports	3	3	3	3	3	3
Refined Imp.(Raw Val)	2	2	2	2	2	2
TOTAL Imports	5	5	5	5	5	5
TOTAL SUPPLY	4685	4685	5249	5249	5928	5814
Raw Exports	2966	2966	3512	3352	4140	3769
Refined Exp.(Raw Val)	90	90	95	95	95	95
TOTAL EXPORTS	3056	3056	3607	3447	4235	3864
Human Dom. Consumption	995	995	1020	1020	1050	1150
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	995	995	1020	1020	1050	1150
Ending Stocks	634	634	622	782	643	800
TOTAL DISTRIBUTION	4685	4685	5249	5249	5928	5814

PSD Table						
Country	Australia					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Planted	0	0	0	0	0	0
Area Harvested	411	411	417	417	0	420
Production	31228	31228	33716	32496	0	36012
TOTAL SUPPLY	31228	31228	33716	32496	0	36012
Utilization for Sugar	31168	31168	33656	32436	0	35952
Utilizatn for Alcohol	60	60	60	60	0	60
TOTAL UTILIZATION	31228	31228	33716	32496	0	36012

General

Australia's 2002/03 sugar production is projected at 5027 TMT, nine percent higher than last year but below the record 5600 TMT produced in 1997/98 and in line with that of the Australian Bureau of Agriculture and Resource Economics (ABARE). Despite the lack of extreme weather conditions such as cyclones and lower incidence of rust, drier than average conditions have reduced yields in some major producing areas of Queensland.

According to industry sources, the Queensland cane harvest is around 66 percent complete at time of writing this report. Industry sources report the commercial cane sugar (CCS) levels to date are around 13.9 percent. However, with conditions slowly getting drier as harvest progresses, this figure could go as high as 14.4 percent. ABARE describes the CCS for 2002/03 as "relatively high". Harvesting conditions have been described as ideal.

The Australian Bureau of Statistics (ABS) has placed confidentiality restrictions on releasing Australian bulk sugar export statistics. Export statistics are now only made available on a quarterly basis six months in arrears.

Policy

The Australian sugar industry is a major agricultural enterprise consisting of around 7,000 producers and 26 sugar mills. In Queensland, the sugar industry is administered through relatively prescriptive legislation, which sets out to which mill an individual producer must deliver, as well as providing a single desk for export marketing at the state level. In NSW and WA, the sugar industry has largely been deregulated.

According to ABARE's historical statistics, raw sugar is a major export for the Australian farming sector, earning between 1.057 and 1.629 billion Australian dollars annually and accounting for between 5 and 9 percent of Australia's total agricultural export value. Sugar is Australia's seventh largest agricultural export behind livestock, wool, dairy, wheat, cotton and wine.

Sugar production is primarily concentrated along the Queensland coast, with smaller production areas located in northern NSW and northern WA. In the sugar cane growing and processing areas, sugar is a major industry and accounts for a large proportion of the economic activity in many towns. Over the past four years, Australia's sugar industry has been negatively affected by low prices, disease outbreaks and extreme weather conditions such as cyclones, floods and droughts. This has severely impacted the returns to growers.

In February 2002, the Government of Australia (GOA) commissioned a report into the Australian sugar industry entitled the "Independent Assessment of the Sugar Industry". The report, which was published in June 2002, followed an A$60 million assistance package provided by the government in September 2000. The report assessed the state of the sugar industry in CY 2002 and covered such subject areas as prices received for raw sugar, costs of production, farm debt levels, industry structure and environmental and social issues.

The report made a number of recommendations and focused on areas such as access to export markets, diversification, environment, research and assisting producers to exit the industry. In response to the report, the GOA has offered a sugar industry assistance package totaling A$150 million over the medium term, with around A$100 million to be raised by a levy on domestic sugar sales and the balance to be provided by the GOA and Queensland State government. The package offers a range of measures including income support, interest rate subsidies on new loans, regional projects and an exit assistance package for producers wishing to leave the industry. However, the package relies on the cooperation between the Federal government and the Queensland state government (via a memorandum of understanding) in amending legislation that currently prohibits industry from adopting structural changes.

The GOA requires that the levy raise around A$100 million over four years. The implementation of a levy on sales of sugar has created much debate. The GOA has indicated that export sales will not be levied, leaving only a levy on domestically sold sugar. As around 30 percent of sugar produced is sold on the domestic market, to raise the required funding, the GOA would need to apply the equivalent of 16.7 cents per kilogram to sales of retail sugar or 2.5 cents per kilogram if applied to all sugar consumed domestically (including sugar used in manufacturing). No final determination has yet been made on the make-up of the levy.

Media reports have raised the issue of whether the sugar assistance package is within WTO rules. Industry sources suggest that the imposition of a levy and the use of these funds for the assistance program are WTO compliant. However, in order for the imposition of a levy on domestic consumption to work effectively a tariff on imported sugar would need to be introduced. The maximum tariff Australia would be allowed to introduce under the Uruguay Round agreement is seven cents per kilogram; no tariff on imported sugar is currently applied. Industry sources suggest that depending on the point of implementation, this tariff rate may not be high enough to constrain the increased attractiveness of importing lower cost sugar for domestic consumption.